

ADAMS COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. The County Should Strengthen Internal Controls Over Departmental Cash Receipting

Our examination of the cash receipting at departments with offices in the Othello area disclosed deficiencies in internal controls. The following cash receipting weaknesses were noted:

- a. Checks were not endorsed upon receipt at community counseling, developmental disabilities, and the solid waste transfer station. Risk of loss or theft increases when checks are not endorsed.
- b. Deposits were not made daily at the planning and building department and developmental disabilities. Deposits were made up to seven days after receipt which increases the risk of loss. In addition, deposits were transported to Ritzville, rather than depositing locally.
- c. Cash on hand at the planning and building department and developmental disabilities was not recorded at the time of receipt.
- d. Mode of payment was not documented on receipts at developmental disabilities and the solid waste transfer station. Due to this condition, we were unable to determine if receipts were deposited intact.
- e. The departments do not have a procedure to determine that all receipts are accounted for. We noted missing receipt numbers that were not subsequently accounted for. This is, in part, due to the lack of countywide cash handling policies and procedures.

Volume 1, Part 3, page 7 of the *Budgeting, Accounting and Reporting System* (BARS) manual, issued by the State Auditor's Office pursuant to RCW 43.09.230, states in part:

Internal control systems are to reasonably ensure that the following objectives are achieved:

Assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

Transactions are recorded properly so that reliable financial and statistical reports can be prepared and accountability for assets is maintained.

The county does not have formal policies and procedures to provide for internal controls over cash handling for decentralized cash receipting locations. Without adequate internal controls, the city does not have adequate assurance that assets are safeguarded, and transactions are recorded and accounted for properly. In addition, there is a lack of supervisory review and management oversight at decentralized cash receipting locations.

We recommend the county develop internal control policies and procedures over cash handling at decentralized locations to ensure that assets are safeguarded and transactions are recorded and accounted for properly.

Auditee's Response

We agree that the county should strengthen internal controls over departmental cash receipting. Each department involved has been contacted and they have corrected, or are correcting, the problems you discovered. We will be following up to make sure this has all been accomplished. The Adams County Treasurer and the Adams County Auditor will be meeting with the director of Developmental Disabilities to assure ourselves that the problems have been resolved.

Auditor's Concluding Remarks

We thank the county for their timely response to our audit finding. We will review these areas in our next regularly scheduled audit.

ADAMS COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Schedule Of Federal Findings

1. The County Should Integrate Grant Accounting Into Its General Accounting System

The county has not integrated all of its grant accounting into the county's general accounting system. Most of the grant moneys received by Adams County are expended within the Road Fund. Expenditures for county road construction are accounted for using a cost accounting system within the Public Works Department. Accounting within this system identifies expenditures by road project but does not identify the application of grant funds. From the cost accounting system, summary information was transferred to the county's general accounting system.

The county has added a grant program field to enable identification of grant expenditures. This enhancement is not yet extended to the public works accounting system. However, the county made some improvements in integrating cost accounting system information in 1996.

Thus, the general accounting system is not providing complete grant program expenditure identification.

The "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments*, Subpart C. Section___20.(b)(2) Accounting Records, states in part:

Grantees and Subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income

OMB Circular A-128, *Audits of State And Local Governments*, paragraph 8..b(1) states in part:

In order to determine which major programs are to be tested for compliance, State and local governments shall identify in their accounts all Federal funds received and expended and the programs under which they were received

Adams County accounts for transactions and prepares its financial statements on the basis of accounting prescribed by Washington State statutes and the *Budgeting, Accounting, and*

Reporting System (BARS) manual as prescribed by the State Auditor. According to BARS, Part 3, Chapter 5, Section A:

1. Grant accounting must be integrated with a municipality's general accounting records . . .
2. Grant accounting must provide for a segregation, by program/activity/function within each grant, of the following . . .
 - d. Expenditures already disbursed . . .
 - f. Non-federal share of costs . . .

Because of the lack of a complete integrated grant accounting system, we could not trace all expenditures reported on the Schedule of Financial Assistance directly to the county's general accounting system, nor were we able to gain sufficient assurance that eligible grant expenditures are not charged to more than one grant. However, all grant revenues are appropriately reported; thus, we are reasonably certain that the Schedule of Financial Assistance lists all amounts and sources of grants received by the county.

We recommend county officials integrate all grant accounting with its financial accounting system.

Auditee's Response

The county will strive to accomplish the goal of fully integrating grant accounting into its general accounting system. It is our understanding that this was started in January of 1996.

Auditor's Concluding Remarks

We thank the county for their timely response to our audit finding. We will review these areas in our next regularly scheduled audit.